



# STRATEGIC AND CRITICAL MATERIALS REPORT TO THE CONGRESS

Operations under the Strategic and Critical  
Materials Model Program, Affecting the Period  
October 1997 through September 1998



DEPARTMENT OF DEFENSE

**DISTRIBUTION STATEMENT A**  
Approved for Public Release  
Distribution Unlimited

19990408 014



ACQUISITION AND  
TECHNOLOGY

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-3010



JAN 7 1999

Honorable Albert H. Gore  
President of the Senate

Honorable J. Dennis Hastert  
Speaker of the House of Representatives

Dear Sirs:

This letter transmits the annual report on operations of the National Defense Stockpile (NDS) in accordance with section 11(a) of the Strategic and Critical Materials Stock Piling Act as amended (50 U.S.C. section 98h-2). The report details the operations of NDS during Fiscal Year 1998 and provides information with regard to the acquisition, upgrade and disposition of NDS materials under the Act, as well as the financial status of the NDS Transaction Fund for Fiscal Year 1998. The Defense Logistics Agency performs operations and management functions for the NDS.

Sincerely,

Dave Oliver  
Principal Deputy

Enclosure

**DISTRIBUTION STATEMENT A**  
Approved for Public Release  
Distribution Unlimited

DTIC QUALITY INSPECTED 2



---

# CONTENTS

---

## CHAPTERS

I	THE STRATEGIC AND CRITICAL MATERIALS PROGRAM.....	1
	<i>Overview</i>	
	<i>Status of the Stockpile Inventory</i>	
	<i>Recent Legislation</i>	
II.	STOCKPILE ACQUISITION, UPGRADING, AND DISPOSAL PROGRAMS.....	5
	<i>Annual Materials Plan</i>	
	<i>Acquisitions and Upgrades</i>	
	<i>Sales of Excess Inventory</i>	
	<i>Titanium Transfer to the Department of the Army</i>	
	<i>Environmental Activities</i>	
III.	FINANCIAL STATUS OF THE NATIONAL DEFENSE STOCKPILE TRANSACTION FUND .....	15
	<i>Overview</i>	
	<i>Audit of Defense National Stockpile Center Internal Controls and Compliance</i>	

## APPENDICES

A.	STRATEGIC AND CRITICAL MATERIALS STOCK PILING ACT.....	17
B.	EXCERPTS FROM THE STROM THURMOND NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1999, AND THE DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 1999.....	27
C.	EXCERPTS FROM PRIOR LAWS AFFECTING THE NATIONAL DEFENSE STOCKPILE.....	31
D.	NATIONAL DEFENSE STOCKPILE INVENTORY.....	35
E.	ABBREVIATIONS USED IN THIS REPORT.....	41
F.	BIDDERS INFORMATION .....	43
G.	SUBSCRIPTION SERVICES.....	45

## **CHARTS**

1.	NATIONAL DEFENSE STOCKPILE INVENTORY.....	1
2.	ACQUISITIONS AND UPGRADES--OBLIGATIONS.....	5
3.	SALES.....	6
4.	FISCAL YEAR 1998 SALES.....	7

## **TABLES**

1.	FISCAL YEAR 1998 REVISED ANNUAL MATERIALS PLAN .....	8
2.	FISCAL YEAR 1999 REVISED ANNUAL MATERIALS PLAN.....	10
3.	FISCAL YEAR 1998 NATIONAL DEFENSE STOCKPILE SALES .....	12
4.	FINANCIAL STATUS OF THE NATIONAL DEFENSE STOCKPILE TRANSACTION FUND.....	15
5.	STOCKPILE GOALS AND INVENTORY STATUS.....	36
6.	INVENTORY SOLD BUT NOT SHIPPED.....	39

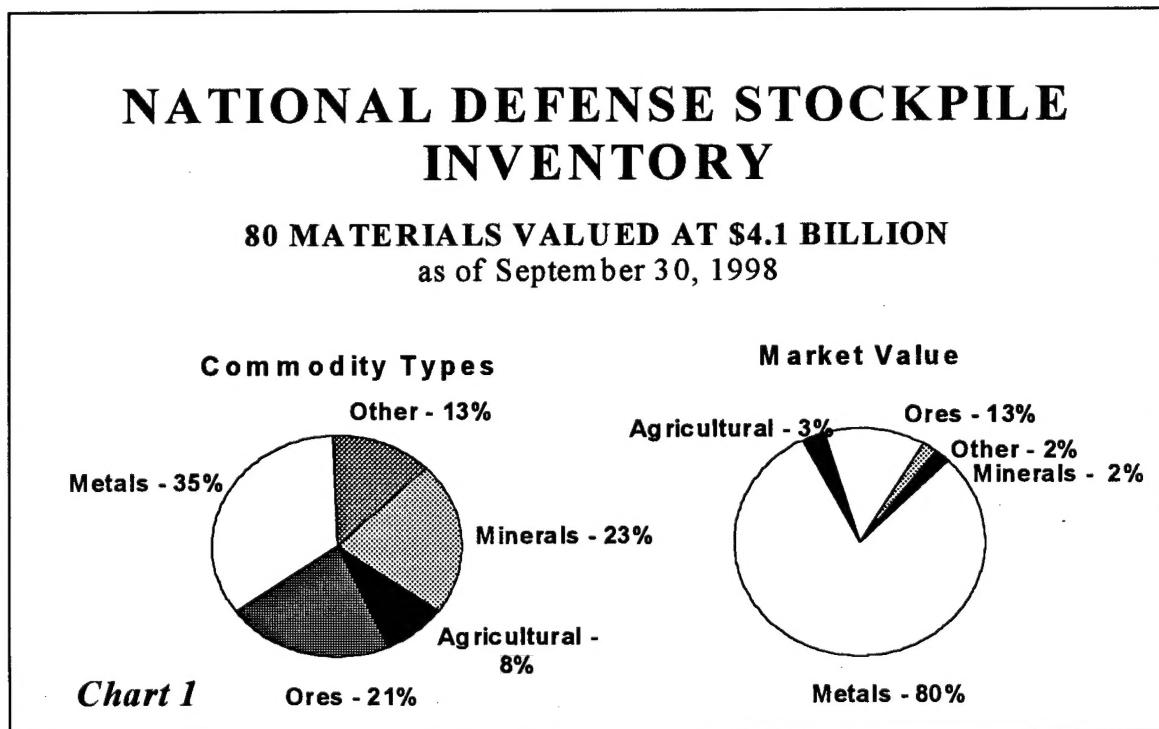
# I. THE STRATEGIC AND CRITICAL MATERIALS STOCKPILING PROGRAM

## OVERVIEW

The Strategic and Critical Materials Stock Piling Act (50 U.S.C. section 98 *et seq.*) mandates that a stockpile of strategic and critical materials (the Stockpile) be maintained to decrease and preclude, where possible, dependence upon foreign sources of supply in times of national emergency. Appendix A of this report provides a copy of the complete Stock Piling Act, as amended. Authority for management of the operational aspects of the National Defense Stockpile has been delegated to the Defense Logistics Agency, Defense National Stockpile Center.

## STATUS OF THE STOCKPILE INVENTORY

The total National Defense Stockpile (NDS) inventory was valued at \$4.1 billion on September 30, 1998. Chart 1 and Table 5 in Appendix D provide detailed information on the composition of the NDS inventory as of September 30, 1998.



The value of the stockpile represents a “price snapshot” as of September 30, 1998. Global commodity markets are volatile and susceptible to fluctuation. For example, in Fiscal Year 1998, prices on the London Metal Exchange for terminally traded metals (cobalt, lead, nickel, and zinc) decreased approximately 40%.

## **RECENT LEGISLATION**

Both the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (P.L. 105-261) and the Department of Defense Appropriations Act, 1999 (P.L. 105-262) were signed on October 17, 1998. A summary of the provisions of those Acts directly affecting the National Defense Stockpile program is included below. Excerpts from both Acts are included at Appendix B.

### **The Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (P.L. 105-261)**

Authorizes the transfer of not more than \$150 million from the National Defense Stockpile Transaction Fund to the operation and maintenance accounts of the Army, Navy, and Air Force (\$50 million each). (Sec. 304)

Authorizes the obligation of up to \$83 million of National Defense Stockpile Transaction Fund monies for operation of the National Defense Stockpile program during Fiscal Year 1999, including disposal of hazardous materials that are environmentally sensitive. The Stockpile Manager may, 45 days after notifying Congress, obligate additional amounts if extraordinary or emergency conditions require additional expenditures. (Sec. 3302)

Requires the sale of authorized commodities so as to result in receipts of \$105 million by the end of Fiscal Year 1999, \$460 million by the end of Fiscal Year 2002, \$555 million by the end of Fiscal Year 2003, and \$590 million by the end of Fiscal Year 2005. By the end of Fiscal Year 2003, \$92 million is to be transferred to the Secretary of Health and Human Services to be credited to the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund. The balance of the funds received shall be deposited into the general fund of the Treasury. (Sec. 3303)

Amends the Stock Piling Act to add a new provision to Section 9(b)(2) (50 U.S.C. 98h(b)(2)) authorizing use of Transaction Fund monies to perform environmental remediation, restoration, waste management, or compliance activities at Stockpile locations, either pursuant to law, or under an administrative decision or negotiated agreement. (Sec. 3304)

### **The Department of Defense Appropriations Act, 1999 (P.L. 105-262)**

Transfers \$150 million from the National Defense Stockpile Transaction Fund to the operation and maintenance accounts of the Army, Navy, and Air Force (\$50 million each). (Title II)

Limits the sales of nine commodities during Fiscal Year 1999 to the quantities listed. Funds received from the sale of the listed commodities are to be deposited into the general fund of the Treasury. Sales are to avoid undue disruption of the usual markets of producers, processors, and consumers and shall protect against avoidable loss to the taxpayer. (Sec. 8109)

### **Library of Congress Bicentennial Commemorative Coin Act of 1998 (P.L. 105-268)**

Permits the Secretary of the Treasury to use silver for minting coins from stockpiles established under the Strategic and Critical Materials Stock Piling Act and from other available sources.

### **Thomas Alva Edison Sesquicentennial Commemorative Coin Act (P.L. 105-331)**

Authorizes the Secretary of the Treasury to obtain silver for minting coins under this Act from any available source, including stockpiles established under the Strategic and Critical Materials Stock Piling Act.



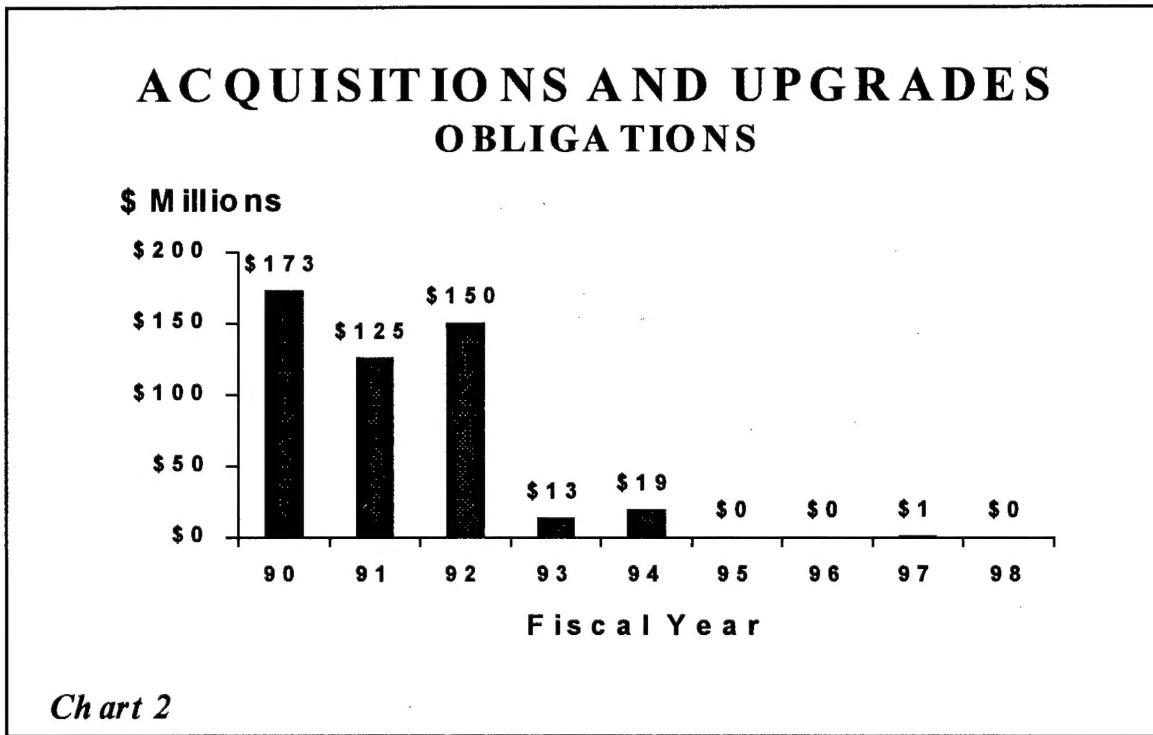
## II. STOCKPILE ACQUISITION, UPGRADING, AND DISPOSAL PROGRAMS

### ANNUAL MATERIALS PLAN

The Annual Materials Plan (AMP) lists the proposed maximum quantity of each commodity that may be sold and/or bought by the Department of Defense (DoD) in a given fiscal year. Before any materials may be bought or sold, the Congress must enact specific enabling legislation. After receiving congressional authority, DoD develops the AMP, which is submitted to the Congress by February 15th of each year. Prior to submission, the AMP is coordinated with the Market Impact Committee, an interagency committee that advises DoD on the projected domestic and foreign economic effects of the proposed Stockpile transactions. The AMP is effective on the first day of the fiscal year. If DoD proposes significant changes to the AMP during the fiscal year, a revised AMP is submitted to the Congress. The revisions become effective 45 calendar days after their submission. The revised Fiscal Year 1998 AMP is shown in Table 1 on page 8, and the Fiscal Year 1999 AMP is shown in Table 2 on page 10.

### ACQUISITIONS AND UPGRADES

There were no commodity acquisitions or upgrades in Fiscal Year 1998. Chart 2 presents data on previous years' acquisitions and upgrades.



## SALES OF EXCESS INVENTORY

The Stockpile sold \$462.4 million of excess materials during Fiscal Year 1998. These sales included \$19.7 million of silver transferred at market prices to the Department of the Treasury for commemorative coinage programs. The transfer of 250 tons of titanium sponge to the Department of the Army at no cost (P.L. 104-106) is not reflected in the sales total. The market value of this titanium was nearly \$2 million.

Sales for Fiscal Years 1992 through 1998 are shown in Chart 3.

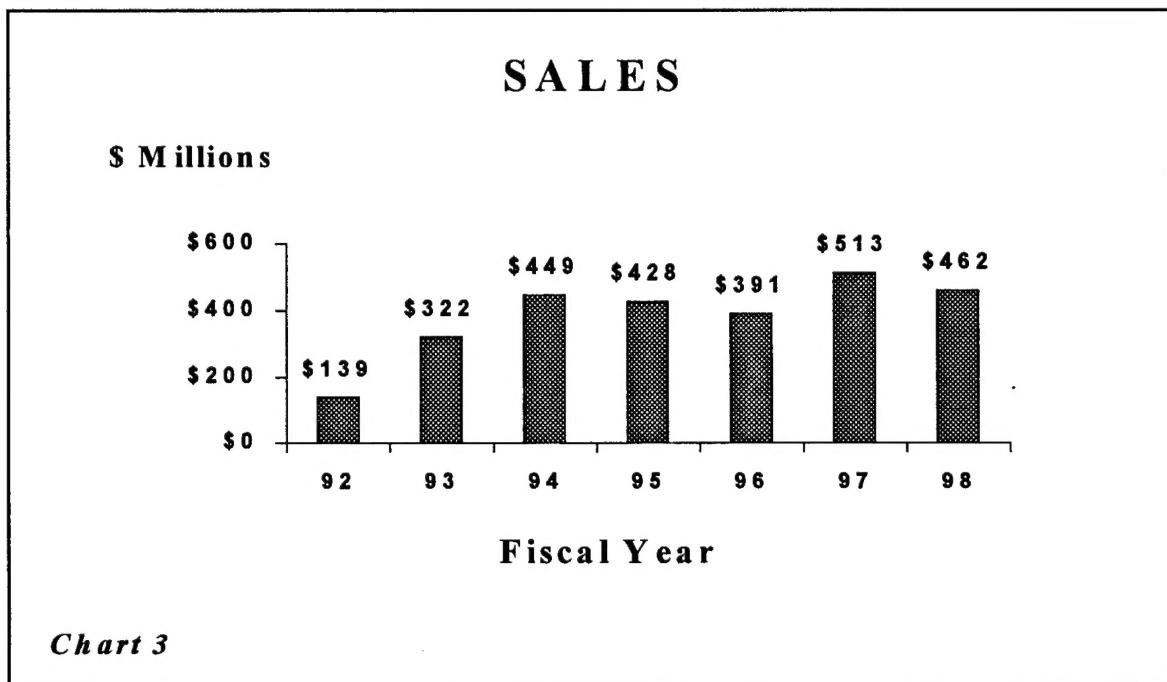
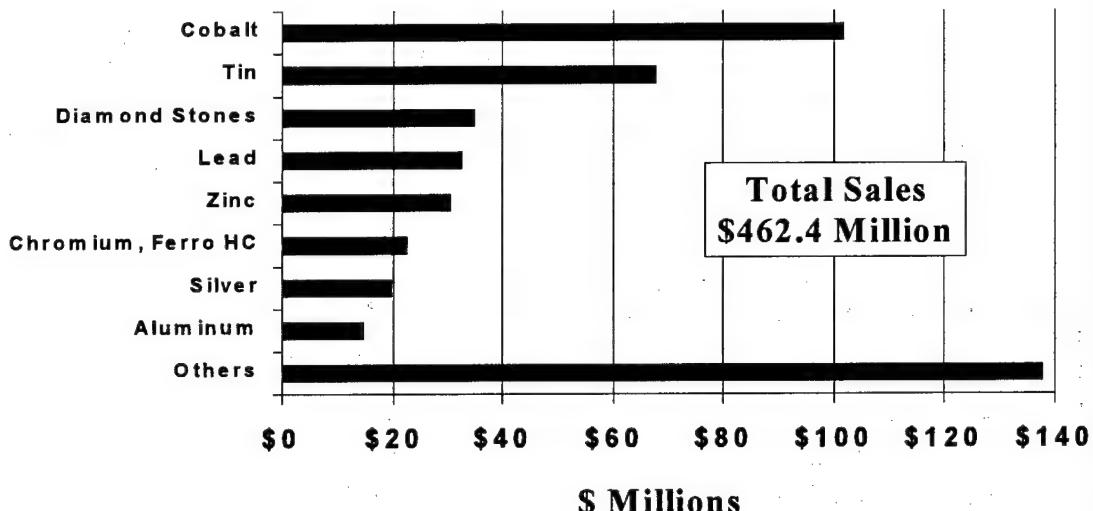


Table 3 on page 12 lists all Stockpile sales for Fiscal Year 1998. A summary of these sales is shown in Chart 4. Dollar amounts in Chart 4 are based on awarded contracts. The top selling materials were cobalt, tin, diamond stones, lead, and zinc. Together they accounted for \$267.5 million and 58 percent of total sales.

Inventory quantities of three materials—aluminum; bismuth; and, ferromanganese, medium carbon—were depleted by sales during this reporting period.

## FISCAL YEAR 1998 SALES



*Chart 4*

## TITANIUM TRANSFER TO THE DEPARTMENT OF THE ARMY

In accordance with section 3305 of the National Defense Authorization Act for Fiscal Year 1996 (P.L. 104-106), 250 tons of titanium sponge were transferred to the Army's Tank and Automotive Command for use in the weight reduction portion of the main battle tank upgrade program. Fiscal Year 1998 was the third year of this program, which provides for annual transfers of up to 250 tons of titanium sponge to continue through Fiscal Year 2003. To date 750 tons have been transferred. While this material is provided to the Army without charge, the law specifies that the Army will pay the costs for transportation and handling.

## ENVIRONMENTAL ACTIVITIES

During Fiscal Year 1998, the Defense National Stockpile Center contracted with the Department of the Army Corps of Engineers to perform preliminary assessments of all staffed Defense National Stockpile Center locations and locations where lead has been stored. Final assessments will be completed in Fiscal Year 1999. Additionally, the Defense National Stockpile Center completed a pilot project to determine the feasibility of converting the thorium nitrate to a form that would allow easier sale or disposal. Various other projects were also completed during Fiscal Year 1998 to landfill non-marketable asbestos. Projects have been completed in Great Lakes, IL; Savanna, IL; Louisville, KY; Texarkana, TX; and, Richmond, KY.

**Table 1**  
**FISCAL YEAR 1998**  
**REVISED ANNUAL MATERIALS PLAN (AMP)**

Material	Unit	Quantity
Aluminum	ST	62,881 1/
Aluminum Oxide, Abrasive	ST	6,000
Aluminum Oxide, Fused Crude	ST	30,000
Analgesics	AMA LB	64,127 1/
Antimony	ST	5,000
Asbestos (all types)	ST	20,000
Bauxite, Metallurgical Jamaican	LDT	1,200,000
Bauxite, Metallurgical Surinam	LDT	800,000
Bauxite, Refractory	LCT	80,000
Beryl Ore	ST	2,000
Beryllium Copper Master Alloy	ST	1,250
Cadmium	LB	1,200,000
Celestite	SDT	3,600
Chromite, Chemical	SDT	100,000
Chromite, Metallurgical	SDT	250,000
Chromite, Refractory	SDT	100,000
Chromium, Ferro	ST	50,000
Cobalt	LB Co	6,000,000
Columbium, Ferro	LB Cb	200,000
Diamond, Bort	ct	1,000,000 1/
Diamond Dies, Small Pcs	PC	25,473 1/
Diamond Stone	ct	1,000,000 1/
Fluorspar, Acid Grade	SDT	180,000
Fluorspar, Metallurgical Grade	SDT	50,000
Germanium	KG	8,000
Graphite, Nat.	ST	2,660
Indium	Tr Oz	35,000 1/
Iodine	LB	1,000,000
Jewel Bearings	PC	52,000,000
Kyanite	ST	1,200 1/
Lead	ST	60,000
Manganese, Battery Grade, Natural	SDT	20,000
Manganese, Battery Grade, Synthetic	SDT	3,011 1/
Manganese, Chemical Grade	SDT	40,000
Manganese, Ferro	ST	50,000
Manganese, Metal, Electrolytic	ST	2,000

**Table 1 (Continued)****FISCAL YEAR 1998****REVISED ANNUAL MATERIALS PLAN (AMP)**

<b>Material</b>	<b>Unit</b>	<b>Quantity</b>
Mercury	FL	20,000 2/
Mica, All	LB	2,260,000
Nickel	ST	10,000 1/
Quinidine	Av Oz	750,000
Quinine	Av Oz	750,000
Sebacic Acid	LB	400,000
Silicon Carbide	ST	9,000
Silver (Coins)	Tr Oz	9,000,000
Talc	ST	1,000 1/
Tantalum Carbide Powder	LB Ta	2,000
Tantalum Minerals	LB Ta	100,000
Tantalum Oxide	LB Ta	20,000
Thorium Nitrate	LB	1,000,000 3/
Tin	MT	12,000
Titanium Sponge	ST	4,000
Vegetable Tannin Extract, Chestnut	LT	7,500
Vegetable Tannin Extract, Quebracho	LT	10,000
Vegetable Tannin Extract, Wattle	LT	10,000
Zinc	ST	50,000

1/ Actual quantity may be limited to remaining inventory or sales authority.

2/ Mercury sales have been suspended at the request of the Environmental Protection Agency.

3/ The radioactive nature of thorium nitrate may preclude a revenue-producing sale.

**Table 2**  
**FISCAL YEAR 1999**  
**REVISED ANNUAL MATERIALS PLAN (AMP)**  
**As of October 19, 1998**

<b>Material</b>	<b>Unit</b>	<b>Quantity</b>	
Aluminum Oxide, Abrasive	ST	6,000	
Aluminum Oxide, Fused Crude	ST	65,000	
Analgesics	AMA LB	64,127	1/
Antimony	ST	5,000	
Asbestos (all types)	ST	20,000	
Bauxite, Metallurgical Jamaican	LDT	2,000,000	
Bauxite, Metallurgical Surinam	LDT	1,500,000	
Bauxite, Refractory	LCT	60,000	
Beryl Ore	ST	2,000	
Beryllium Copper Master Alloy	ST	1,250	
Cadmium	LB	1,200,000	
Celestite	SDT	3,600	
Chromite, Chemical	SDT	100,000	
Chromite, Metallurgical	SDT	250,000	
Chromite, Refractory	SDT	100,000	
Chromium, Ferro	ST	25,000	2/
Cobalt	LB Co	6,000,000	
Columbium, Ferro	LB Cb	400,000	
Diamond, Bort	ct	1,000	1/
Diamond Dies	PC	25,473	1/
Diamond Stones	ct	600,000	2/
Fluorspar, Acid Grade	SDT	180,000	
Fluorspar, Metallurgical Grade	SDT	50,000	1/
Germanium	KG	8,000	
Graphite, Nat (ALL)	ST	3,760	
Indium	Tr Oz	15,000	1/
Iodine	LB	1,000,000	
Jewel Bearings	PC	52,000,000	
Lead	ST	60,000	
Manganese, Battery Grade, Natural	SDT	20,000	
Manganese, Battery Grade, Synthetic	SDT	3,011	1/
Manganese, Chemical Grade	SDT	40,000	
Manganese, Ferro	ST	50,000	
Manganese, Metal, Electrolytic	ST	2,000	
Manganese, Metallurgical Grade	SDT	250,000	
Mercury	FL	20,000	3/

**Table 2 (Continued)**  
**FISCAL YEAR 1999**  
**ANNUAL MATERIALS PLAN (AMP)**  
**As of October 19, 1998**

<b>Material</b>	<b>Unit</b>	<b>Quantity</b>
Mica, All	LB	2,260,000
Nickel	ST	4,200 1/
Quinidine	OZ	750,000
Quinine	OZ	750,000
Sebacic Acid	LB	400,000
Silicon Carbide	ST	9,000
Silver (Coins)	Tr Oz	9,000,000
Talc	ST	1,000 1/
Tantalum Carbide Powder	LB Ta	2,000
Tantalum Minerals	LB Ta	100,000
Thorium Nitrate	LB	1,000,000 4/
Tin	MT	12,000
Titanium Sponge	ST	5,000
Vegetable Tannin Extract, Chestnut	LT	7,500
Vegetable Tannin Extract, Quebracho	LT	10,000
Vegetable Tannin Extract, Wattle	LT	10,000
Zinc	ST	50,000

1/ Actual quantity may be limited to remaining inventory or sales authority.  
 2/ Quantity set by P.L. 105-262 for 1 year.  
 3/ Mercury sales have been suspended at the request of the Environmental Protection Agency.  
 4/ The radioactive nature of thorium nitrate may preclude revenue producing sales.

Table 3

## FISCAL YEAR 1998 SALES

## NATIONAL DEFENSE STOCKPILE

Material	Unit	Quantity	Value
<b>Principal Sales Program</b>			
Aluminum Oxide, Abrasive Grain	ST	4,722	\$1,454,525.60
Aluminum Oxide, Fused Crude	ST	30,000	6,832,500.00
Analgesics	AMA LB	50,924	10,942,563.85
Antimony	ST	5,029	5,492,972.69
Asbestos, Chrysotile	ST	2,935	323,029.00
Bauxite, Metallurgical, Jamaica	LDT	1,200,000	8,482,968.30
Bauxite, Metallurgical, Surinam	LDT	800,000	6,520,000.00
Bauxite, Refractory Grade	LCT	20,000	2,330,000.00
Beryllium Copper Master Alloy	ST	1,250	6,315,095.96
Bismuth	LB	186,612	552,371.52
Cadmium	LB	261,874	59,948.39
Chromite, Chemical Grade	SDT	-1,000	-40,000.00
Chromite, Metallurgical Grade	SDT	50,437	1,408,245.27
Chromite, Refractory Grade	SDT	6,000	144,000.00
Chromium, Ferro, High Carbon	ST	38,822	22,678,469.47
Chromium, Ferro, Low Carbon	ST	7,574	5,845,720.82
Chromium, Ferro, Silicon	ST	3,591	2,446,350.04
Diamond, Industrial Stones	ct	638,228	34,903,881.40
Fluorspar, Acid Grade	SDT	159,196	10,876,556.09
Fluorspar, Metallurgical Grade	SDT	50,055	942,528.00
Graphite, Natural	ST	2,660	465,836.00
Iodine	LB	641,267	5,368,556.37
Lead	ST	60,000	32,601,039.24
Manganese Dioxide, Natural Battery Grade	SDT	8,700	579,075.00
Manganese Metal, Electrolytic	ST	1,966	3,219,749.28
Manganese Ore, Chemical Grade	ST	1,800	133,200.00
Manganese Ore, Metallurgical Grade	SDT	244,271	2,922,994.50
Manganese, Ferro, High Carbon	ST	33,128	7,621,096.40
Manganese, Ferro, Medium Carbon	ST	14,411	8,257,222.29
Mica, Muscovite Block	LB	999,388	700,239.25
Mica, Muscovite Film	LB	19,883	4,142.76
Mica, Muscovite Splittings	LB	205,500	51,291.00
Mica, Phlogopite Splittings	LB	3,295	1,284.91
Nickel	ST	2,013	10,168,492.32
Quartz Crystal	LB	1	500.00
Quinidine	Av Oz	114,660	35,544.51
Quinine	Av Oz	390,980	272,476.10
Sebacic Acid	LB	400,800	413,867.00
Silicon Carbide	ST	9,000	3,574,650.00
Silver (For Coinage Programs)	Tr Oz	4,937,484	19,726,295.90

**Table 3 (Continued)****FISCAL YEAR 1998 SALES****NATIONAL DEFENSE STOCKPILE**

<b>Material</b>	<b>Unit</b>	<b>Quantity</b>	<b>Value</b>
Talc - Block and Lump	ST	1	\$80.00
Tin	MT	11,981	67,610,862.12
Titanium Sponge	ST	1,254	4,364,542.25
Vegetable Tannin Extract, Chestnut	LT	724	184,563.35
Vegetable Tannin Extract, Quebracho	LT	1,668	408,359.00
Vegetable Tannin Extract, Wattle	LT	735	192,031.36
Zinc	ST	31,351	<u>30,541,955.06</u>
<b>Subtotal: Cash Sales: Transaction Fund Account</b>			<b>\$327,931,672.37</b>
<b>Cash Sales: Treasury Account</b>			
Aluminum	ST	9,746	\$14,757,609.50
Cobalt	LB Co	5,535,210	101,799,743.21
Columbium, Ferro	LB Cb	198,349	1,253,139.65
Germanium	KG	8,009	9,059,817.00
Tantalum Carbide Powder	LB Ta	2,115	130,837.50
Tantalum Minerals	LB Ta	99,750	6,110,314.58
Tantalum Oxide	LB Ta	20,480	<u>1,325,780.10</u>
<b>Subtotal: Cash Sales: Treasury Account</b>			<b>\$134,437,241.54</b>
<b>(Foreign Military Sales Surcharge Offset Program)</b>			
<b>Total Sales</b>			<b>\$462,368,913.91</b>



### **III. FINANCIAL STATUS OF THE NATIONAL DEFENSE STOCKPILE TRANSACTION FUND**

#### **OVERVIEW**

The Fiscal Year 1998 Transaction Fund financial status (Table 4) portrays the cash and obligational activity beginning October 1, 1995 through September 30, 1998. All proceeds from the sale of excess materials (reimbursements collected) are posted in the Transaction Fund. The table also depicts the cash flow to the United States Treasury (disbursements), net obligations (the difference between what is owed to the Fund minus what the Fund owes), and the remaining unobligated balance. A further breakout has been added to reflect which net obligations and unobligated balances are for amounts that will be satisfied by cash only. This is to account for barter and exchange transactions which were used in previous fiscal years.

**Table 4**  
**FINANCIAL STATUS OF**  
**THE NATIONAL DEFENSE STOCKPILE TRANSACTION FUND**  
**October 1, 1995 to September 30, 1998**  
**(Millions of Dollars)**

<b>Transaction</b>	<b>FY 96</b>	<b>FY 97</b>	<b>FY 98</b>
Beginning Treasury Cash Balance	\$ 168.6	\$290.7	\$519.8
Reimbursements Collected	321.7	514.9	503.9
Appropriations and Transfers			
Service Operations	(150.0)	(150.0)	(150.0)
Disbursements			
FMS	0.0	(81.0)	(143.0)
DNSC Operations	<u>(49.6)</u>	<u>(54.8)</u>	<u>(46.1)</u>
Total Disbursements	(49.6)	(135.8)	(189.1)
Ending Treasury Cash Balance	\$290.7	\$519.8	\$684.6
<b><u>Total Cash and Exchange</u></b>			
Net Obligations	\$235.7	\$266.0	\$189.1
Unobligated Balance	\$526.4	\$785.8	\$873.7
<b><u>Cash Only</u></b>			
Net Obligations <sup>1/</sup>	\$262.0	\$266.0	\$189.1
Unobligated Balance	\$552.7	\$785.8	\$873.7

<sup>1/</sup> Net obligations are gross unpaid obligations less disbursements made against obligations, recoveries from prior year obligations and uncollected reimbursable orders (accounts receivable).

Focusing on the Fiscal Year 1998 column, \$503.9 million represents reimbursements collected, including \$436.5 million from Fiscal Year 1998 sales. The remaining reimbursements collected are from prior year sales. Also, \$150.0 million were transferred to the operation and maintenance accounts of the Military Services as directed by the Fiscal Year 1998 Defense Appropriations Act. Lastly, \$189.1 million were disbursed, including \$143.0 million to the United States Treasury for the Foreign Military Sales surcharge offset program. All data shown in Table 4 have been taken from the official accounting records as reported to the United States Treasury by the Defense Finance and Accounting Service.

## **AUDIT OF DEFENSE NATIONAL STOCKPILE CENTER INTERNAL CONTROLS AND COMPLIANCE WITH LAWS AND REGULATIONS FOR THE NATIONAL DEFENSE STOCKPILE TRANSACTION FUND FINANCIAL STATEMENTS FOR FISCAL YEAR 1997**

In report number 98-166, the Department of Defense Inspector General found that the Defense National Stockpile Center internal control structure was generally effective in accounting for and managing resources, ensuring compliance with laws and regulations, and providing reasonable assurance that the financial statements are free of material misstatements.

# APPENDIX A

---

## STRATEGIC AND CRITICAL MATERIALS STOCK PILING ACT (50 U.S.C. 98 *et seq.*)

As amended by:

the Strom Thurmond National Defense Authorization Act for Fiscal Year  
1999  
(P.L. 105-261)

SEC. 1. This Act may be cited as the "Strategic and Critical Materials Stock Piling Act."

### FINDINGS AND PURPOSE

SEC. 2. (a) The Congress finds that the natural resources of the United States in certain strategic and critical materials are deficient or insufficiently developed to supply the military, industrial, and essential civilian needs of the United States for national defense.

(b) It is the purpose of this Act to provide for the acquisition and retention of stocks of certain strategic and critical materials and to encourage the conservation and development of sources of such materials within the United States and thereby to decrease and to preclude, when possible, a dangerous and costly dependence by the United States upon foreign sources for supplies of such materials in times of national emergency.

(c) The purpose of the National Defense Stockpile is to serve the interest of national defense only. The National Defense Stockpile is not to be used for economic or budgetary purposes.

### MATERIALS TO BE ACQUIRED: PRESIDENTIAL AUTHORITY AND GUIDELINES

SEC. 3. (a) Subject to subsection (c) of this section, the President shall determine from time to time (1) which materials are strategic and critical materials for the purposes of this Act, and (2) the quality and quantity of each such material to be acquired for the purposes of this Act and the form in which each such material shall be acquired and stored. Such materials when acquired, together with the other materials described in section 4 of this Act, shall constitute and be collectively known as the

National Defense Stockpile (hereinafter in this Act referred to as the "stockpile").

(b) The President shall make the determinations required to be made under subsection (a) on the basis of the principles stated in section 2(c).

(c)(1) The quantity of any material to be stockpiled under this Act, as in effect on September 30, 1987, may be changed only as provided in this subsection or as otherwise provided by law enacted after December 4, 1987.

(2) The President shall notify Congress in writing of any change proposed to be made in the quantity of any material to be stockpiled. The President may make the change after the end of the 45-day period beginning on the date of the notification. The President shall include a full explanation and justification for the proposed change with the notification.

### MATERIALS CONSTITUTING THE NATIONAL DEFENSE STOCKPILE

SEC. 4. (a) The stockpile consists of the following materials:

(1) Materials acquired under this Act and contained in the national stockpile on July 29, 1979.

(2) Materials acquired under this Act after July 29, 1979.

(3) Materials in the supplemental stockpile established by section 1704(b) of the Agricultural Trade Development and Assistance Act of 1954 (as in effect from September 21, 1959, through December 31, 1966) on July 29, 1979.

(4) Materials acquired by the United States under the provisions of section 303 of the Defense Production Act of 1950 (50 U.S.C. App. 2093) and

transferred to the stockpile by the President pursuant to subsection (f) of such section.

(5) Materials transferred to the United States under section 663 of the Foreign Assistance Act of 1961 (22 U.S.C. 2423) that have been determined to be strategic and critical materials for the purposes of this Act and that are allocated by the President under subsection (b) of such section for stockpiling in the stockpile.

(6) Materials acquired by the Commodity Credit Corporation and transferred to the stockpile under section 4(h) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(h)).

(7) Materials acquired by the Commodity Credit Corporation under paragraph (2) of section 103(a) of the Act entitled "An Act to provide for greater stability in agriculture; to augment the marketing and disposal of agricultural products; and for other purposes," approved August 28, 1954 (7 U.S.C. 1743(a)), and transferred to the stockpile under the third sentence of such section.

(8) Materials transferred to the stockpile by the President under paragraph (4) of section 103(a) of such Act of August 28, 1954.

(9) Materials transferred to the stockpile under subsection (b).

(10) Materials transferred to the stockpile under subsection (c).

(b) Notwithstanding any other provision of law, any material that (1) is under the control of any department or agency of the United States, (2) is determined by the head of such department or agency to be excess to its needs and responsibilities, and (3) is required for the stockpile shall be transferred to the stockpile. Any such transfer shall be made without reimbursement to such department or agency, but all costs required to effect such transfer shall be paid or reimbursed from funds appropriated to carry out this Act.

(c)(1) The Secretary of Energy, in consultation with the Secretary of Defense, shall transfer to the stockpile for disposal in accordance with this Act uncontaminated materials that are in the Department of Energy inventory of materials for the production of defense-related items, are excess to the requirements of the Department for that purpose, and

are suitable for transfer to the stockpile and disposal through the stockpile.

(2) The Secretary of Defense shall determine whether materials are suitable for transfer to the stockpile under this subsection, are suitable for disposal through the stockpile, and are uncontaminated.

## **AUTHORITY FOR STOCKPILE OPERATIONS**

SEC. 5. (a)(1) Except for acquisitions made under the authority of paragraph (3) or (4) of section 6(a) of this Act, no funds may be obligated or appropriated for acquisition of any material under this Act unless funds for such acquisition have been authorized by law. Funds appropriated for such acquisition (and for transportation and other incidental expenses related to such acquisition) shall remain available until expended, unless otherwise provided in appropriation Acts.

(2) If for any fiscal year the President proposes certain stockpile transactions in the annual materials plan submitted to Congress for that year under section 11(b) of this Act and after that plan is submitted the President proposes (or Congress requires) a significant change in any such transaction, or a significant transaction not included in such plan, no amount may be obligated or expended for such transaction during such year until the President has submitted a full statement of the proposed transaction to the appropriate committees of Congress and a period of 45 days has passed from the date of the receipt of such statement by such committees.

(b) Except for disposals made under the authority of paragraph (3), (4) or (5) of section 6(a) or under section 7(a) of this Act, no disposal may be made from the stockpile unless such disposal, including the quantity of the material to be disposed of, has been specifically authorized by law.

(c) There is authorized to be appropriated such sums as may be necessary to provide for the transportation, processing, refining, storage, security, maintenance, rotation, and disposal of materials contained in or acquired for the stockpile. Funds appropriated for such purposes shall remain available to carry out the purposes for which appropriated for a period of two fiscal years, if so provided in appropriation Acts.

## STOCKPILE MANAGEMENT

### SEC. 6. (a) The President shall —

(1) acquire the materials determined under section 3(a) to be strategic and critical materials;

(2) provide for the proper storage, security, and maintenance of materials in the stockpile;

(3) provide for the upgrading, refining or processing of any material in the stockpile (notwithstanding any intermediate stockpile quantity established for such material) when necessary to convert such material into a form more suitable for storage, subsequent disposition, and immediate use in a national emergency;

(4) provide for the rotation of any material in the stockpile when necessary to prevent deterioration or technological obsolescence of such material by replacement of such material with an equivalent quantity of substantially the same material or better material;

(5) subject to the notification required by subsection (d)(2) of this section, provide for the timely disposal of materials in the stockpile that (A) are excess to stockpile requirements, and (B) may cause a loss to the Government if allowed to deteriorate; and

(6) subject to the provisions of section 5(b), dispose of materials in the stockpile the disposal of which is specifically authorized by law.

(b) Except as provided in subsections (c) and (d), acquisition of strategic and critical materials under this Act shall be made in accordance with established Federal procurement practices, and, except as provided in subsections (c) and (d) and in section 7(a), disposal of strategic and critical materials from the stockpile shall be made in accordance with the next sentence. To the maximum extent feasible—

(1) competitive procedures shall be used in the acquisition and disposal of such materials; and

(2) efforts shall be made in the acquisition and disposal of such materials to avoid undue disruption of the usual markets of producers, processors, and consumers of such materials and to protect the United States against avoidable loss.

(c)(1) The President shall encourage the use of barter in the acquisition under subsection (a)(1) of this section of strategic and critical materials for, and the disposal under subsection (a)(5) or (a)(6) of this section of materials from, the stockpile when acquisition or disposal by barter is authorized by law and is practical and in the best interest of the United States.

(2) Materials in the stockpile (the disposition of which is authorized by paragraph (3) to finance the upgrading, refining, or processing of a material in the stockpile, or is otherwise authorized by law) shall be available for transfer at fair market value as payment for expenses (including transportation and other incidental expenses) of acquisition of materials, or of upgrading, refining, processing, or rotating materials, under this Act.

(3) Notwithstanding section 3(c) of this Act or any other provision of law, whenever the President provides under subsection (a)(3) of this section for the upgrading, refining, or processing of a material in the stockpile to convert that material into a form more suitable for storage, subsequent disposition, and immediate use in a national emergency, the President may barter a portion of the same material (or any other material in the stockpile that is authorized for disposal) to finance that upgrading, refining, or processing.

(4) To the extent otherwise authorized by law, property owned by the United States may be bartered for materials needed for the stockpile.

(d)(1) The President may waive the applicability of any provision of the first sentence of subsection (b) to any acquisition of material for, or disposal of material from, the stockpile. Whenever the President waives any such provision with respect to any such acquisition or disposal, or whenever the President determines that the application of paragraph (1) or (2) of such subsection to a particular acquisition or disposal is not feasible, the President shall notify the Committee on Armed Services of the Senate and the Committee on National Security of the House of Representatives in writing of the proposed acquisition or disposal at least 45 days before any obligation of the United States is incurred in connection with such acquisition or disposal and shall include in such notification the reasons for not complying with any provision of such subsection.

(2) Materials in the stockpile may be disposed of under subsection (a)(5) of this section only if such congressional committees are notified in writing of

the proposed disposal at least 45 days before any obligation of the United States is incurred in connection with such disposal.

(3) The President may acquire leasehold interests in property, for periods not in excess of twenty years, for storage, security, and maintenance of materials in the stockpile.

## **SPECIAL DISPOSAL AUTHORITY OF THE PRESIDENT**

SEC. 7. (a) Materials in the stockpile may be released for use, sale, or other disposition —

(1) on the order of the President, at any time the President determines the release of such materials is required for purposes of the national defense; and

(2) in time of war declared by the Congress or during a national emergency, on the order of any officer or employee of the United States designated by the President to have authority to issue disposal orders under this subsection, if such officer or employee determines that the release of such materials is required for purposes of the national defense.

(b) Any order issued under subsection (a) shall be promptly reported by the President, or by the officer or employee issuing such order, in writing, to the Committee on Armed Services of the Senate and the Committee on National Security of the House of Representatives.

## **MATERIALS DEVELOPMENT AND RESEARCH**

SEC. 8. (a)(1) The President shall make scientific, technologic, and economic investigations concerning the development, mining, preparation, treatment, and utilization of ores and other mineral substances that (A) are found in the United States, or in its territories or possessions, (B) are essential to the national defense, industrial, and essential civilian needs of the United States, and (C) are found in known domestic sources in inadequate quantities or grades.

(2) Such investigations shall be carried out in order to —

(A) determine and develop new domestic sources of supply of such ores and mineral substances;

(B) devise new methods for the treatment and utilization of lower grade reserves of such ores and mineral substances; and

(C) develop substitutes for such essential ores and mineral products.

(3) Investigations under paragraph (1) may be carried out on public lands and, with the consent of the owner, on privately owned lands for the purpose of exploring and determining the extent and quality of deposits of such minerals, the most suitable methods of mining and beneficiating such minerals, and the cost at which the minerals or metals may be produced.

(b) The President shall make scientific, technologic, and economic investigations of the feasibility of developing domestic sources of supplies of any agricultural material or for using agricultural commodities for the manufacture of any material determined pursuant to section 3(a) of this Act to be a strategic and critical material or substitutes therefore.

(c) The President shall make scientific, technologic, and economic investigations concerning the feasibility of —

(1) developing domestic sources of supply of materials (other than materials referred to in subsections (a) and (b)) determined pursuant to section 3(a) to be strategic and critical materials; and

(2) developing or using alternative methods for the refining or processing of a material in the stockpile so as to convert such material into a form more suitable for use during an emergency or for storage.

(d) The President shall encourage the conservation of domestic sources of any material determined pursuant to section 3(a) to be a strategic and critical material by making grants or awarding contracts for research regarding the development of:

(1) substitutes for such material; or

(2) more efficient methods of production or use of such material.

## NATIONAL DEFENSE STOCKPILE TRANSACTION FUND

SEC. 9. (a) There is established in the Treasury of the United States a separate fund to be known as the National Defense Stockpile Transaction Fund (hereinafter in this section referred to as the "fund").

(b)(1) All moneys received from the sale of materials in the stockpile under paragraphs (5) and (6) of section 6(a) shall be covered into the fund.

(2) Subject to section 5(a)(1), moneys covered into the fund under paragraph (1) are hereby made available (subject to such limitations as may be provided in appropriations Acts) for the following purposes:

(A) The acquisition, maintenance, and disposal of strategic and critical materials under section 6(a).

(B) Transportation, storage, and other incidental expenses related to such acquisition, maintenance, and disposal.

(C) Development of current specifications of stockpile materials and the upgrading of existing stockpile materials to meet current specifications (including transportation, when economical, related to such upgrading).

(D) Testing and quality studies of stockpile materials.

(E) Studying future material and mobilization requirements for the stockpile.

(F) Activities authorized under section 15 of this Act.

(G) Contracting under competitive procedures for materials development and research to —

(i) improve the quality and availability of materials stockpiled from time to time in the stockpile; and

(ii) develop new materials for the stockpile.

(H) Improvement or rehabilitation of facilities, structures, and infrastructure needed to maintain the integrity of stockpile materials.

(I) Disposal of hazardous materials that are stored in the stockpile and authorized for disposal by law.

(J) Performance of environmental remediation, restoration, waste management, or compliance activities at locations of the stockpile that are required under a Federal law or are undertaken by the Government under an administrative decision or negotiated agreement.

(K) Pay of employees of the National Defense Stockpile program.

(L) Other expenses of the National Defense Stockpile program.

(3) Moneys in the fund shall remain available until expended.

(c) All moneys received from the sale of materials being rotated under the provisions of section 6(a)(4) or disposed of under section 7(a) shall be covered into the fund and shall be available only for the acquisition of replacement materials.

(d) If, during a fiscal year, the National Defense Stockpile Manager barter materials in the stockpile for the purpose of acquiring, upgrading, refining, or processing other materials (or for services directly related to that purpose), the contract value of the materials so bartered shall —

(1) be applied toward the total value of materials that are authorized to be disposed of from the stockpile during that fiscal year;

(2) be treated as an acquisition for purposes of satisfying any requirement imposed on the National Defense Stockpile Manager to enter into obligations during that fiscal year under subsection (b)(2) of this section; and

(3) not increase or decrease the balance in the fund.

## ADVISORY COMMITTEES

SEC. 10. (a) The President may appoint advisory committees composed of individuals with expertise relating to materials in the stockpile or with expertise in stockpile management to advise the President with respect to the acquisition, transportation, processing, refining, storage, security, maintenance, rotation, and disposal of such materials under this Act.

(b) Each member of an advisory committee established under subsection (a) while serving on the business of the advisory committee away from such member's home or regular place of business shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons intermittently employed in the Government service.

(c)(1) The President shall appoint a Market Impact Committee composed of representatives from the Department of Agriculture, the Department of Commerce, the Department of Defense, the Department of Energy, the Department of the Interior, the Department of State, the Department of the Treasury, and the Federal Emergency Management Agency, and such other persons as the President considers appropriate. The representatives from the Department of Commerce and the Department of State shall be Cochairmen of the Committee.

(2) The Committee shall advise the National Defense Stockpile Manager on the projected domestic and foreign economic effects of all acquisitions and disposals of materials from the stockpile that are proposed to be included in the annual materials plan submitted to Congress under section 11(b) of this Act, or in any revision of such plan, and shall submit to the manager the Committee's recommendations regarding those acquisitions and disposals.

(3) The annual materials plan or the revision of such plan, as the case may be, shall contain—

(A) the views of the Committee on the projected domestic and foreign economic effects of all acquisitions and disposals of materials from the stockpile;

(B) the recommendations submitted by the Committee under paragraph (2); and

(C) for each acquisition or disposal provided for in the plan or revision that is inconsistent with a recommendation of the Committee, a justification for the acquisition or disposal.

(4) In developing recommendations for the National Defense Stockpile Manager under paragraph (2), the Committee shall consult from time to time with representatives of producers, processors, and consumers of the types of materials stored in the stockpile.

## REPORTS TO CONGRESS

SEC. 11. (a) Not later than January 15 of each year, the President shall submit to the Congress an annual written report detailing operations under this Act. Each such report shall include—

(1) information with respect to foreign and domestic purchases of materials during the preceding fiscal year;

(2) information with respect to the acquisition and disposal of materials under this Act by barter, as provided for in section 6(c) of this Act, during such fiscal year;

(3) information with respect to the activities by the Stockpile Manager to encourage the conservation, substitution, and development of strategic and critical materials within the United States;

(4) information with respect to the research and development activities conducted under sections 2 and 8 of this Act;

(5) a statement and explanation of the financial status of the National Defense Stockpile Transaction Fund and the anticipated appropriations to be made to the fund, and obligations to be made from the fund, during the current fiscal year; and

(6) such other pertinent information on the administration of this Act as will enable the Congress to evaluate the effectiveness of the program provided for under this Act and to determine the need for additional legislation.

(b)(1) Not later than February 15 of each year, the President shall submit to the appropriate committees of the Congress a report containing an annual materials plan for the operation of the stockpile during the next fiscal year and the succeeding four fiscal years.

(2) Each such report shall include details of all planned expenditures from the National Defense Stockpile Transaction Fund during such period (including expenditures to be made from appropriations from the general fund of the Treasury) and of anticipated receipts from proposed disposals of stockpile materials during such period. Each such report shall also contain details regarding the materials development and research projects to be conducted under section 9(b)(2)(G) of this Act during the fiscal years covered by the report. With respect to

each development and research project, the report shall specify the amount planned to be expended from the fund, the material intended to be developed, the potential military or defense industrial applications for that material, and the development and research methodologies to be used.

(3) Any proposed expenditure or disposal detailed in the annual materials plan for any such fiscal year, and any expenditure or disposal proposed in connection with any transaction submitted for such fiscal year to the appropriate committees of Congress pursuant to section 5(a)(2) of this Act, that is not obligated or executed in that fiscal year may not be obligated or executed until such proposed expenditure or disposal is resubmitted in a subsequent annual materials plan or is resubmitted to the appropriate committees of Congress in accordance with section 5(a)(2) of this Act, as appropriate.

## DEFINITIONS

SEC. 12. For the purposes of this Act:

(1) The term "strategic and critical materials" means materials that (A) would be needed to supply the military, industrial, and essential civilian needs of the United States during a national emergency, and (B) are not found or produced in the United States in sufficient quantities to meet such need.

(2) the term "national emergency" means a general declaration of emergency with respect to the national defense made by the President or by the Congress.

## IMPORTATION OF STRATEGIC AND CRITICAL MATERIALS

SEC. 13. The President may not prohibit or regulate the importation into the United States of any material determined to be strategic and critical pursuant to the provisions of this Act, if such material is the product of any foreign country or area not listed in general note 3(b) of the Harmonized Tariff Schedule of the United States (19 U.S.C. 1202), for so long as the importation into the United States of material of that kind which is the product of a country or area listed in such general note is not prohibited by any provision of law.

## BIENNIAL REPORT ON STOCKPILE REQUIREMENTS

SEC. 14. (a) Not later than January 15 of every other year, the Secretary of Defense shall submit to Congress a report on stockpile requirements. Each such report shall include —

(1) the Secretary's recommendations with respect to stockpile requirements; and

(2) the matters required under subsection (b).

(b) Each report under this section shall set forth the national emergency planning assumptions used by the Secretary in making the Secretary's recommendations under subsection (a)(1) with respect to stockpile requirements. The Secretary shall base the national emergency planning assumptions on a military conflict scenario consistent with the scenario used by the Secretary in budgeting and defense planning purposes. The assumptions to be set forth include assumptions relating to each of the following:

(1) The length and intensity of the assumed military conflict.

(2) The military force structure to be mobilized.

(3) The losses anticipated from enemy action.

(4) The military, industrial, and essential civilian requirements to support the national emergency.

(5) The availability of supplies of strategic and critical materials from foreign sources during the mobilization period, the military conflict, and the subsequent period of replenishment, taking into consideration possible shipping losses.

(6) The domestic production of strategic and critical materials during the mobilization period, the military conflict, and the subsequent period of replenishment, taking into consideration possible shipping losses.

(7) Civilian austerity measures required during the mobilization period and military conflict.

(c) The stockpile requirements shall be based on those strategic and critical materials necessary for the United States to replenish or replace, within three years of the end of the military conflict scenario

required under subsection (b), all munitions, combat support items, and weapons systems that would be required after such a military conflict.

(d) The Secretary shall also include in each report under this section an examination of the effect that alternative mobilization periods under the military conflict scenario required under subsection (b), as well as a range of other military conflict scenarios addressing potentially more serious threats to national security, would have on the Secretary's recommendations under subsection (a)(1) with respect to stockpile requirements.

(e) The President shall submit with each report under this section a statement of the plans of the President for meeting the recommendations of the Secretary set forth in the report.

## DEVELOPMENT OF DOMESTIC SOURCES

SEC. 15. (a) Subject to subsection (c) and to the extent the President determines such action is required for the national defense, the President shall encourage the development of domestic sources for materials determined pursuant to section 3(a) to be strategic and critical materials —

(1) by purchasing, or making a commitment to purchase, strategic and critical materials of domestic origin when such materials are needed for the stockpile; and

(2) by contracting with domestic facilities, or making a commitment to contract with domestic facilities, for the processing or refining of strategic and critical materials in the stockpile when processing or refining is necessary to convert such materials into a form more suitable for storage and subsequent disposition.

(b) A contract or commitment made under subsection (a) may not exceed five years from the date of the contract or commitment. Such purchases and commitments to purchase may be made for such quantities and on such terms and conditions, including advance payments, as the President considers to be necessary.

(c)(1) Descriptions of proposed transactions under subsection (a) shall be included in the appropriate

annual materials plan submitted to Congress under section 11(b). Changes to any such transaction or the addition of a transaction not included in such plan, shall be made in the manner provided by section 5(a)(2).

(2) The authority of the President to enter into obligations under this section is effective for any fiscal year only to the extent that funds in the National Defense Stockpile Transaction Fund are adequate to meet such obligations. Payments required to be as a result of obligations incurred under this section shall be made from amounts in the fund.

(d) The authority of the President under subsection (a) includes the authority to pay—

(1) the expenses of transporting materials, and

(2) other incidental expenses related to carrying out such subsection.

(e) The President shall include in the reports required under section 11(a) information with respect to activities conducted under this section.

## NATIONAL DEFENSE STOCKPILE MANAGER

SEC. 16. (a) The President shall designate a single Federal office to have responsibility for performing the functions of the President under this Act, other than under sections 7 and 13. The office designated shall be one to which appointment is made by the President, by and with the advice and consent of the Senate.

(b) The individual holding the office designated by the President under subsection (a) shall be known for purposes of functions under this Act as the "National Defense Stockpile Manager."

(c) The President may delegate functions of the President under this Act (other than under sections 7 and 13) only to the National Defense Stockpile Manager. Any such delegation made by the President shall remain in effect until specifically revoked by law or Executive order. The President may not delegate functions of the President under sections 7 and 13.

## United States Code Citations

Section 2	-	50 U.S.C. 98a	Section 9	-	50 U.S.C. 98h
Section 3	-	50 U.S.C. 98b	Section 10	-	50 U.S.C. 98h-1
Section 4	-	50 U.S.C. 98c	Section 11	-	50 U.S.C. 98h-2
Section 5	-	50 U.S.C. 98d	Section 12	-	50 U.S.C. 98h-3
Section 6	-	50 U.S.C. 98e	Section 13	-	50 U.S.C. 98h-4
Section 7	-	50 U.S.C. 98f	Section 14	-	50 U.S.C. 98h-5
Section 8	-	50 U.S.C. 98g	Section 15	-	50 U.S.C. 98h-6
			Section 16	-	50 U.S.C. 98h-7



# APPENDIX B

---

## EXCERPTS FROM THE STROM THURMOND NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1999 (P.L. 105-261; October 17, 1998)

### SEC. 304. TRANSFER FROM NATIONAL DEFENSE STOCKPILE TRANSACTION FUND

(a) Transfer Authority.—To the extent provided in appropriations Acts, not more than \$150,000,000 is authorized to be transferred from the National Defense Stockpile Transaction Fund to operation and maintenance accounts for fiscal year 1999 in amounts as follows:

(1) For the Army,	\$50,000,000.
(2) For the Navy,	\$50,000,000.
(3) For the Air Force,	\$50,000,000.

(b) Treatment of Transfers.—Amounts transferred under this section—

(1) Shall be merged with, and be available for the same purposes and the same period as, the amounts in the accounts to which transferred; and

(2) May not be expended for an item that has been denied authorization of appropriations by Congress.

(c) Relationship to Other Transfer Authority.—The transfer authority provided in this section is in addition to the transfer authority provided in section 1001.

### TITLE XXXIII—NATIONAL DEFENSE STOCKPILE

#### SEC. 3301. DEFINITIONS

(1) The term “National Defense Stockpile” means the stockpile provided for in section 4 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98c).

(2) The term “National Defense Stockpile Transaction Fund” means the fund in the Treasury of the United States established under section 9(a) of

the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98h(a)).

#### SEC. 3302. AUTHORIZED USES OF STOCKPILE FUNDS

(a) Obligation of Stockpile Funds.—during fiscal year 1999, the National Defense Stockpile Manager may obligate up to \$83,000,000 of the funds in the National Defense Stockpile Transaction Fund for the authorized uses of such funds under section 9(b)(2) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98h(b)(2)), including the disposal of hazardous materials that are environmentally sensitive.

(b) Additional Obligations.—the National Defense Stockpile Manager may obligate amounts in excess of the amount specified in subsection (a) if the National Defense Stockpile Manager notifies Congress that extraordinary or emergency conditions necessitate the additional obligations. The National Defense Stockpile Manager may make the additional obligations described in the notification after the end of the 45-day period beginning on the date Congress receives the notification.

(c) Limitations.—The authorities provided by this section shall be subject to such limitations as may be provided in appropriations Acts.

#### SEC. 3303. AUTHORITY TO DISPOSE OF CERTAIN MATERIALS IN NATIONAL DEFENSE STOCKPILE

Disposal Required—Subject to subsection (c), the President shall dispose of materials contained in the national Defense Stockpile and specified in the table in subsection (b) so as to result in receipts to the United States in the amount of –

(1) \$105,000,000 by the end of fiscal year 1999;
---

- (2) \$460,000,000 by the end of fiscal year 2002;
- (3) \$555,000,000 by the end of fiscal year 2003; and
- (4) \$590,000,000 by the end of fiscal year 2005.

**Limitation on Disposal Quantity.**—The total quantities of materials authorized for disposal by the President under subsection (a) may not exceed the amounts set forth in the following table:

Material for disposal	Quantity
Bauxite Refractory	29,000 LCT
Beryllium Metal	100 ST
Chromite Chemical	34,000 SDT
Chromite Refractory	159,000 SDT
Chromium Ferroalloy	125,000 ST
Columbium Carbide Powder	21,372 LB Cb
Columbium Concentrates	1,733,454, LB Cb
Columbium Ferro	249,396 LB Cb
Columbium Metal Ingots	161,123 LB Cb
Diamond, Stones	3,000,000 ct
Germanium Metal	28,198 KG
Graphite Natural Ceylon Lump	5,492 ST
Indium	14,248 Tr Oz
Mica Muscovite Block	301,000 LB
Mica Phlogopite Block	130,745 LB
Platinum	439,887 Tr Oz
Platinum—Iridium	4,450 Tr Oz
Platinum—Palladium	750,000 Tr Oz
Tantalum Carbide Powder	22,688 LB Ta
Tantalum Metal Ingots	125,000 LB Ta
Tantalum Metal Powder	125,000 LB Ta
Tantalum Minerals	1,751,364 LB Ta
Tantalum Oxide	122,730 LB Ta
Tungsten Carbide Powder	2,032,896 LB W
Tungsten Ferro	2,024,143 LB W
Tungsten Metal Powder	1,898,009 LB W
Tungsten Ores & Concentrates	76,358,235 LB W

**Minimization of Disruption and Loss.**—The President may not dispose of materials under subsection (a) to the extent that the disposal will result in—

undue disruption of the usual markets of producers, processors, and consumers of the materials proposed for disposal; or  
avoidable loss to the United States.

**Treatment of Receipts.**—Notwithstanding section 9 of the Strategic and Critical materials Stock Piling Act (50 U.S.C. 98h), funds received as a result of the disposal of materials authorized for disposal under subsection (a) shall be treated as follows:

The following amounts shall be transferred to the Secretary of Health and Human Services, to be

credited in the manner determined by the Secretary to the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund:

- (A) \$3,000,000 during FY 1999
- (B) \$22,000,000 during FY 2000
- (C) \$28,000,000 during FY 2001
- (D) \$31,000,000 during FY 2002
- (E) \$8,000,000 during FY 2003

(2) The balance of the funds received shall be deposited into the general fund of the Treasury.

(e) **Relationship to Other Disposal Authority.**—The disposal authority provided in subsection (a) is new disposal authority and is in addition to, and shall not affect, any other disposal authority provided by law regarding materials specified in such subsection.

(f) **Authorization of Sale.**—The authority provided by this section to dispose of materials contained in the National Defense Stockpile so as to result in receipts of \$100,000,000 of the amount specified for fiscal year 1999 in subsection (a) by the end of that fiscal year shall be effective only to the extent provided in advance in appropriation Acts.

#### **SEC. 3304. USE OF STOCKPILE FUNDS FOR CERTAIN ENVIRONMENTAL REMEDIATION, RESTORATION, WASTE MANAGEMENT, AND COMPLIANCE ACTIVITIES.**

Section 9(b)(2) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98h(b)(2)) is amended—

- (1) by redesignating subparagraphs (J) and (K) as subparagraphs (K) and (L) respectively; and
- (2) by inserting after subparagraph (I) the following new subparagraph (J):

“(J) Performance of environmental remediation, restoration, waste management, or compliance activities at locations of the stockpile that are required under a Federal law or are undertaken by the government under an administrative decision or negotiated agreement.”.



**EXCERPTS FROM THE  
DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 1999  
(P.L. 105-262; October 17, 1998)**

**Title II** authorizes \$150 million to be transferred from the National Defense Stockpile Transaction Fund to the Operation and Maintenance Accounts of the Army, Navy, and Air Force (\$50 million each).

**Sec. 8109.** (a) **Disposal of Certain Materials in National Defense Stockpile.** Subject to subsection (c), the President shall dispose of materials contained in the National Defense Stockpile and specified in the table in subsection (b) so as to result in receipts to the United States in the amount of \$100,000,000 by the end of fiscal year 1999.

(b) **Disposal Quantities.** The total quantities of materials authorized for disposal by the President under subsection (a) may not exceed the amounts set forth in the following table:

**Authorized Stockpile Disposals**

Material for disposal	Quantity
Beryllium Metal	20 ST
Chromium Ferroalloy	25,000 ST
Columbium Carbide Powder	21,372 LB Cb
Diamond, Stones	600,000 ct
Platinum	100,000 Tr Oz
Platinum—Palladium	150,000 Tr Oz
Tantalum Carbide Powder	22,688 LB Ta
Tantalum Metal Ingots	25,000 LB Ta
Tantalum Metal Powder	25,000 LB Ta

(c) **Minimization of Disruption and Loss.** The President may not dispose of materials under

subsection (a) to the extent that the disposal will result in—

(1) undue disruption of the usual markets of producers, processors, and consumers of the materials proposed for disposal; or

(2) avoidable loss to the United States.

(d) **Treatment of Receipts.** Notwithstanding section 9 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98h), funds received as a result of the disposal of materials authorized for disposal under subsection (a) shall be deposited into the general fund of the Treasury.

(e) **Relationship to Other Disposal Authority.** (1) The disposal authority provided in subsection (a) is new disposal authority and is in addition to, and shall not affect, any other disposal authority provided by law regarding the materials specified in such subsection.

(2) The disposal authority provided in subsection (a) is referred to in section 3303 of the National Defense Authorization Act for Fiscal Year 1999, and the quantities of the materials specified in the table in subsection (b) are included in the quantities specified in the table in subsection (b) of such section 3303.

(f) **Definition.** In this section, the term "National Defense Stockpile" means the stockpile provided for in section 4 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98c).



# APPENDIX C

---

## EXCERPTS FROM PRIOR LAWS AFFECTING THE NATIONAL DEFENSE STOCKPILE

---

### NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1998 (P.L. 105-85; November 18, 1997)

#### SEC. 3303. DISPOSAL OF BERYLLIUM COPPER MASTER ALLOY IN NATIONAL DEFENSE STOCKPILE.

(a) Disposal Authorization.—Pursuant to section 5(b) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98d(b)), the National Defense Stockpile Manager may dispose of all beryllium copper master alloy from the National Defense Stockpile as part of continued efforts to modernize the stockpile.

(b) Precondition for Disposal.—Before beginning the disposal of beryllium copper master alloy under subsection (a), the National Defense Stockpile Manager shall certify to Congress that the disposal of beryllium copper master alloy will not adversely affect the capability of the National Defense Stockpile to supply the strategic and critical material needs of the United States.

(c) Consultation With Market Impact Committee.—In disposing of beryllium copper master alloy under subsection (a), the National Defense Stockpile Manager shall consult with the Market Impact Committee to ensure that the disposal of beryllium copper master alloy does not disrupt the domestic beryllium industry.

(d) Extended Sales Contracts.—The National Defense Stockpile Manager shall provide for the use of long-term sales contracts for the disposal of beryllium copper master alloy under subsection (a) so that the domestic beryllium industry can re-absorb this material into the market in a gradual and nondisruptive manner. However, no such contract

shall provide for the disposal of beryllium copper master alloy over a period longer than eight years, beginning on the date of the commencement of the first contract under this section.

(e) Relationship to Other Disposal Authority.—The disposal authority provided in subsection (a) is new disposal authority and is in addition to, and shall not affect, any other disposal authority provided by law regarding materials in the National Defense Stockpile.

(f) Beryllium Copper Master Alloy Defined.—For purposes of this section, the term "beryllium copper master alloy" means an alloy of nominally four percent beryllium in copper.

#### SEC. 3304. DISPOSAL OF TITANIUM SPONGE IN NATIONAL DEFENSE STOCKPILE.

(a) Disposal Required.—Subject to subsection (b), the National Defense Stockpile Manager shall dispose of 34,800 short tons of titanium sponge contained in the National Defense Stockpile provided for in section 4 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98c) and excess to stockpile requirements.

(b) Consultation With Market Impact Committee.—In disposing of titanium sponge under subsection (a), the National Defense Stockpile Manager shall consult with the Market Impact Committee to ensure that the disposal of titanium sponge does not disrupt the domestic titanium industry.

(c) Relationship to Other Disposal Authority. The disposal authority provided in subsection (a) is new disposal authority and is in addition to, and shall not affect, any other disposal authority provided by law regarding materials in the National Defense Stockpile.

### **SEC. 3305. DISPOSAL OF COBALT IN NATIONAL DEFENSE STOCKPILE.**

(a) Disposal Required. Subject to subsections (b) and (c), the President shall dispose of cobalt contained in the National Defense Stockpile so as to result in receipts to the United States in amounts equal to—

- (1) \$20,000,000 during fiscal year 2003;
- (2) \$30,000,000 during fiscal year 2004;
- (3) \$34,000,000 during fiscal year 2005;
- (4) \$34,000,000 during fiscal year 2006; and
- (5) \$34,000,000 during fiscal year 2007.

(b) Limitation on Disposal Quantity. The total quantity of cobalt authorized for disposal by the President under subsection (a) may not exceed 14,058,014 pounds.

(c) Minimization of Disruption and Loss. The President may not dispose of cobalt under subsection (a) to the extent that the disposal will result in—

- (1) undue disruption of the usual markets of producers, processors, and consumers of cobalt; or
- (2) avoidable loss to the United States.

(d) Treatment of Receipts. Notwithstanding section 9 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98h), funds received as a result of the disposal of cobalt under subsection (a) shall be deposited into the general fund of the Treasury.

(e) Relationship to Other Disposal Authority. The disposal authority provided in subsection (a) is new disposal authority and is in addition to, and shall not affect, any other disposal authority provided by law

regarding materials in the National Defense Stockpile.

### **SEC. 3307. RETURN OF SURPLUS PLATINUM FROM THE DEPARTMENT OF THE TREASURY.**

(a) Return of Platinum to Stockpile. Subject to subsection (b), the Secretary of the Treasury, upon the request of the Secretary of Defense, shall return to the Secretary of Defense for sale or other disposition platinum of the National Defense Stockpile that has been loaned to the Department of the Treasury by the Secretary of Defense, acting as the stockpile manager. The quantity requested and required to be returned shall be any quantity that the Secretary of Defense determines appropriate for sale or other disposition.

(b) Alternative Transfer of Funds. The Secretary of the Treasury, with the concurrence of the Secretary of Defense, may transfer to the Secretary of Defense funds in a total amount that is equal to the fair market value of any platinum requested under subsection (a) and not returned. A transfer of funds under this subsection shall be a substitute for a return of platinum under subsection (a). Upon a transfer of funds as a substitute for a return of platinum, the platinum shall cease to be part of the National Defense Stockpile. A transfer of funds under this subsection shall be charged to any appropriation for the Department of the Treasury and shall be credited to the National Defense Stockpile Transaction Fund.

(c) Responsibility for Costs. The return of platinum under subsection (a) by the Secretary of the Treasury shall be made without the expenditure of any funds available to the Department of Defense. The Secretary of the Treasury shall be responsible for all costs incurred in connection with the return, such as transportation, storage, testing, refining, or casting costs.

## **The National Defense Authorization Act for Fiscal year 1996 (P.L. 104-106)**

---

### **SEC. 3303. DISPOSAL OF CHROMITE AND MANGANESE ORES AND CHROMIUM FERRO AND MANGANESE METAL ELECTROLYTIC**

- (a) Domestic Upgrading. In offering to enter into agreements pursuant to any provision of law for the disposal from the National Defense Stockpile of chromite and manganese ores or chromium ferro and manganese metal electrolytic, the President shall give a right of first refusal on all such offers to domestic ferroalloy upgraders.
- (b) Domestic Ferroalloy Upgrader Defined. For purposes of this section, the term "domestic ferroalloy upgrader" means a company or other business entity that, as determined by the President—
  - (1) is engaged in operations to upgrade chromite or manganese ores of metallurgical grade or chromium ferro and manganese metal electrolytic; and
  - (2) conducts a significant level of its research, development, engineering, and upgrading operations in the United States.

### **SEC. 3304. RESTRICTIONS ON DISPOSAL OF MANGANESE FERRO**

- (a) Disposal of Lower Grade Material First. The President may not dispose of high carbon

manganese ferro in the National Defense Stockpile that meets the National Defense Stockpile classification of Grade One, Specification 30(a), as revised on May 22, 1992, until completing the disposal of all manganese ferro in the National Defense Stockpile that does not meet such classification. The President may not reclassify manganese ferro in the National Defense Stockpile after the date of the enactment of this Act.

(b) Requirement for Remelting by Domestic Ferroalloy Producers. Manganese ferro in the National Defense Stockpile that does not meet the classification specified in subsection (a) may be sold only for remelting by a domestic ferroalloy producer unless the President determines that a domestic ferroalloy producer is not available to acquire the material.

### **SEC. 3305 TITANIUM INITIATIVE TO SUPPORT BATTLE TANK UPGRADE PROGRAM**

During each of the fiscal years 1996 through 2003, the Secretary of Defense shall transfer from stocks of the National Defense Stockpile up to 250 short tons of titanium sponge to the Secretary of the Army for use in the weight reduction portion of the main battle tank upgrade program. Transfers under this section shall be without charge to the Army, except that the Secretary of the Army shall pay all transportation and related costs incurred in connection with the transfer.



# APPENDIX D

---

## NATIONAL DEFENSE STOCKPILE INVENTORY

---

### STOCKPILE INVENTORY

The Stockpile inventory quantities shown in Table 5 of this appendix include both stockpile and non-stockpile grade materials. Although non-stockpile grade materials do not meet current purchase specifications for Stockpile materials, they may be credited towards the goals until they can be sold or upgraded.

Stockpile inventory quantities shown in Table 5 do not include quantities of materials that have been sold but have not yet been shipped from Stockpile depots. Table 6 lists quantities of materials that have been sold but not shipped as of the end of the fiscal year. Inventory quantities include material that is on consignment and on loan as indicated below. Inventory quantities of three materials—aluminum; bismuth; and, ferromanganese, medium carbon—were depleted by sales during this reporting period.

Stockpile materials on consignment and loan are as follows:

Silver consignment to the U.S. Mint – 968,963 fine troy ounces.

Iodine on loan to University of Pennsylvania – 126,537 pounds.

Platinum on loan to the U.S. Mint – 199,935 troy ounces.

Platinum on loan to Lawrence Livermore National Laboratory – 20,880 troy ounces.

The platinum on loan is to be returned on demand of the Stockpile Manager. The U.S. Mint may, at their option, pay the market price for the platinum in lieu of return.

Inventory values are based on September 30, 1998 prices at which comparable materials are being traded. In the absence of current trading data, market values are estimated. The market values are not necessarily the amount that would be realized if the materials were sold.

### STOCKPILE GOALS

The Stockpile goals shown in Table 5 have been reduced for those materials for which disposal was authorized in the National Defense Authorization Acts for Fiscal Years 1998 and 1999. For those materials or family groups the goals are derived by subtracting new legislative disposal authority from the lower of either the goal in effect or the inventory quantity on the date the new disposal was authorized by the Congress.

### FAMILY GROUPINGS OF MATERIALS

When the Stockpile contains more than one form of a primary material, the inventory group may include the different forms of the material. For example, the Tantalum Group includes contained pounds of tantalum in the form of metal, metal powder, carbide powder, oxide and minerals. While there is no longer a goal for the total Tantalum Group as a family, there are goals for the tantalum metal powder and tantalum metal.

**Table 5**  
**STOCKPILE GOALS AND INVENTORY STATUS**  
**FOLLOWING THE ENACTMENT OF PUBLIC LAW 105-261**  
**Inventory Quantities and Market Values as of September 30, 1998**  
**Goals effective 11/17/98 following the enactment of FY 1999 Authorization and Appropriation**  
**(Millions of Dollars)**

<b>Material</b>	<b>Unit</b>	<b>Goal</b>	<b>Inventory Level</b>		<b>Inventory Status</b>	
			<b>Quantity</b>	<b>Value</b>	<b>Excess</b>	<b>Deficit</b>
1. Aluminum Metal	ST	-	0	\$0.000	0	0
2. Aluminum Oxide						
Aluminum Oxide, Abrasive Grain	ST	-	23,684	8.349	23,684	0
Aluminum Oxide, Fused, Crude	ST	-	126,256	24.950	126,256	0
3. Antimony	ST	-	18,329	32.640	18,329	0
4. Asbestos						
Amosite	ST	-	32,323	0.000	32,323	0
Chrysotile	ST	-	6,541	0.000	6,541	0
5. Bauxite						
Bauxite, Metal Grade, Jamaica Type	LDT	-	8,530,516	64.943	8,530,516	0
Bauxite, Metal Grade, Surinam Type	LDT	-	3,685,198	24.422	3,685,198	0
Bauxite, Refractory	LCT	40,000	72,455	5.774	32,455	0
6. Beryllium						
Beryl Ore (11%BeO)	ST	-	12,933	2.587	12,933	0
Beryllium Copper Master Alloy	ST	-	6,127	30.635	6,127	0
Beryllium Metal	ST	300	400	104.695	100	0
7. Bismuth	LB	-	0	0.000	0	0
8. Cadmium	LB	-	3,865,418	1.979	3,865,418	0
9. Chromite, Refractory Grade	SDT	-	222,948	3.928	222,948	0
10. Chromium						
Chromite, Chemical Grade	SDT	-	179,079	3.933	179,079	0
Chromite, Metallurgical Grade	SDT	-	351,871	9.301	351,871	0
Chromium, Ferro Group	ST	496,204	1,070,195	715.165	573,991	0
Chromium, Ferro, High Carbon	ST	496,204	711,112	442.490	214,908	0
Chromium, Ferro, Low Carbon	ST	-	304,596	235.092	304,596	0
Chromium, Ferro, Silicon	ST	-	54,487	37.583	54,487	0
Chromium Metal	ST	26,835	8,511	39.493	0	18,324
11. Cobalt	LB Co	-	32,491,611	503.620	32,491,611	0
12. Columbium						
Columbium Carbide Powder	LB Cb	-	21,372	0.374	21,372	0
Columbium Concentrates	LB Cb	-	1,676,262	7.674	1,676,262	0
Columbium, Ferro	LB Cb	-	900,632	5.764	900,632	0
Columbium, Metal	LB Cb	-	161,123	2.820	161,123	0
13. Diamond, Industrial						
Diamond Dies	PC	-	25,473	0.255	25,473	0
Diamond, Industrial, Crushing Bort	ct	-	62,326	0.331	62,326	0
Diamond, Industrial, Stones	ct	-	3,096,537	30.965	3,096,537	0

**Table 5 (Continued)**  
**STOCKPILE GOALS AND INVENTORY STATUS**  
**(Millions of Dollars)**

Material	Unit	Goal	Inventory Level		Inventory Status	
			Quantity	Value		
14. Fluorspar						
Acid Grade	SDT	-	104,970	\$6,867	104,970	0
Metallurgical Grade	SDT	-	210,868	6.699	210,868	0
15. Germanium	KG	-	55,517	61.418	55,517	0
16. Graphite						
Ceylon Amorphous (Lump)	ST	-	5,492	2.587	5,492	0
Malagasy (Crystalline)	ST	-	11,565	2.313	11,565	0
Other than Ceylon & Malagasy	ST	-	86	0.009	86	0
17. Indium	Tr Oz	-	14,248	0.108	14,248	0
18. Iodine	LB	-	4,168,242	24.580	4,168,242	0
19. Jewel Bearings						
Jewel Bearings	PC	84,000,000	30,273,221	0.000	0	53,726,779
Jewel Bearings - NSG	PC	-	51,778,337	0.000	51,778,337	0
20. Lead	ST	-	337,253	197.833	337,253	0
21. Manganese Dioxide Battery Grade						
Manganese Dioxide, Bat. Grade, Natural	SDT	-	127,738	8.229	127,738	0
Manganese Dioxide, Bat. Grade, Synthetic	SDT	-	3,011	4.494	3,011	0
22. Manganese						
Manganese Ore, Chemical Grade	SDT	-	161,404	15.172	161,404	0
Manganese Ore, Metallurgical Grade	SDT	-	1,081,794	25.024	1,081,794	0
Manganese, Ferro, High Carbon	ST	209,074	1,000,571	230.576	791,497	0
Manganese, Ferro, Medium Carbon	ST	-	0	0.000	0	0
Manganese Metal	ST	-	7,474	12.815	7,474	0
23. Mercury	FL	-	128,662	0.000	128,662	0
24. Mica						
Muscovite Block, Stained & Better	LB	-	1,583,904	0.956	1,583,904	0
Muscovite Film, 1st & 2nd Qualities	LB	-	20,288	0.005	20,288	0
Muscovite Splittings	LB	-	12,235,237	2.374	12,235,237	0
Phlogopite Block	LB	-	130,745	0.654	130,745	0
Phlogopite Splittings	LB	-	581,027	0.320	581,027	0
25. Morphine Sulfate (Analgesics)	AMALB	-	13,596	1.360	13,596	0
26. Nickel	ST	-	2,164	12.675	2,164	0
27. Platinum Group Metals						
Iridium	Tr Oz	25,140	29,590	5.775	4,450	0
Palladium	Tr Oz	497,282	1,247,282	182.710	750,000	0
Platinum	Tr Oz	-	439,887	162.486	439,887	0

**Table 5 (Continued)**  
**STOCKPILE GOALS AND INVENTORY STATUS**  
**(Millions of Dollars)**

Material	Unit	Goal	Inventory Level		Inventory Excess	Status
			Quantity	Value		
28. Quartz Crystals	LB	236,006	236,653	\$1.029	647	0
29. Quinidine	Av Oz	-	2,294,653	0.976	2,294,653	0
30. Quinine	Av Oz	-	2,306,027	1.540	2,306,027	0
31. Ricinoleic/Sebacic Acid Products	LB	-	3,056,700	4.781	3,056,700	0
32. Rubber, Natural	LT	-	69,220	67.539	69,220	0
33. Silicon Carbide	ST	-	4,633	1.965	4,633	0
34. Silver	Tr Oz	-	35,120,598	104.870	35,120,598	0
35. Talc, Steatite Block & Lump	ST	-	1,004	0.223	1,004	0
36. Tantalum Group						
Tantalum Carbide Powder	LB Ta	-	24,417	1.460	24,417	0
Tantalum Metal Powder	LB Ta	36,020	161,020	27.524	125,000	0
Tantalum Metal	LB Ta	120,228	245,228	26.485	125,000	0
Tantalum Minerals	LB Ta	-	2,401,614	67.447	2,401,614	0
Tantalum Oxide	LB Ta	-	122,730	4.296	122,730	0
37. Thorium Nitrate	LB	600,000	7,091,891	0.000	6,491,891	0
38. Tin	MT	-	83,835	460.782	83,835	0
39. Titanium Sponge	ST	-	34,933	121.583	34,933	0
40. Tungsten						
Tungsten Carbide Powder	LB W	-	2,032,896	22.718	2,032,896	0
Tungsten, Ferro	LB W	-	2,024,143	6.832	2,024,143	0
Tungsten Metal Powder	LB W	-	1,898,009	19.264	1,898,009	0
Tungsten Ores & Concentrates	LB W	-	76,358,235	266.719	76,358,235	0
41. Vegetable Tannin Extract						
Chestnut	LT	-	2,730	0.901	2,730	0
Quebracho	LT	-	105,210	27.479	105,210	0
Wattle	LT	-	7,420	1.831	7,420	0
42. Zinc	ST	-	213,041	219.518	213,041	0
<b>TOTALS: STRATEGIC AND CRITICAL MATERIALS</b>					<b>\$4,050.398</b>	
<b>OTHER <sup>1/</sup></b>						<b>\$0.030</b>
<b>TOTAL INVENTORY VALUE</b>						<b>\$4,050.428</b>

<sup>1/</sup> In addition to the materials listed in this Table, the NDS inventory also contains asbestos (crocidolite), celestite, kyanite, mica (muscovite block, stained and lower), talc (ground) and zirconium valued at \$.030 million. These materials have been determined to be neither strategic nor critical.

**Table 6**  
**INVENTORY SOLD BUT NOT SHIPPED**  
**(Shipping to occur in accordance with specific contract provisions.)**  
**as of September 30, 1998**

Material	Unit	Quantity
Aluminum Oxide, Abrasive Grain	ST	1,368
Aluminum Oxide, Fused Crude	ST	14,744
Antimony	ST	3,610
Asbestos, Chrysotile	ST	66
Bauxite, Metal Grade, Jamaica Type	LDT	1,322,696
Bauxite, Metal Grade, Surinam Type	LDT	896,275
Bauxite, Refractory	LDT	45,376
Beryl	ST	1,155
Beryllium, Copper Master Alloy	ST	492
Cadmium	LB	4,040
Chromite, Chemical Grade	SDT	53,134
Chromite, Metallurgical Grade	SDT	105,110
Chromite, Refractory Grade	SDT	93,958
Chromium, Ferro High Carbon	ST	16,733
Chromium, Ferro Low Carbon	ST	3,658
Cobalt	LB Co	439,458
Diamond Stones	ct	104,749
Chromium, Ferro Silicon	ST	1,957
Columbium, Ferro	LB Cb	11,657
Fluorspar Acid Grade	SDT	308,457
Fluorspar, Metallurgical Grade	SDT	27,083
Germanium	KG	1,986
Iodine	LB	191,148
Lead	ST	19,066
Manganese Dioxide, Battery Grade	SDT	1,000
Manganese, Ferro High Carbon	ST	16,726
Manganese, Ore Metallurgical Grade	SDT	155,567
Morphine Sulfate (Refined)	AMA LB	25,894
Nickel	ST	250
Quartz Crystal	LB	46,981
Quinine	LB	160,982
Ricinoleic / Sebacic Acid Products	LB	199,800
Rubber, Natural	LT	2,889
Silicon Carbide	SDT	4,954
Tantalum Minerals	LB Ta	99,750
Tin	MT	7,762
Titanium Sponge	ST	923
Vegetable Tannin, Chestnut	LT	1,622
Vegetable Tannin, Quebracho	LT	1,333
Vegetable Tannin, Wattle	LT	1,520
Zinc	ST	14,910



## **APPENDIX E**

### **ABBREVIATIONS USED IN THIS REPORT**

AMA LB.....	Anhydrous Morphine Alkaloid Pound
AMP.....	Annual Materials Plan
Av Oz.....	Avoirdupois Ounce (28.350 Grams)
DLA.....	Defense Logistics Agency
DoD.....	Department of Defense
DNSC.....	Defense National Stockpile Center
FL.....	Flask (76 Pounds)
HC.....	High Carbon
KG.....	Kilogram
ct.....	Carat
LB.....	Pound
LB Cb.....	Pounds of Contained Columbium
LB Co.....	Pounds of Contained Cobalt
LB Ta.....	Pounds of Contained Tantalum
LB W.....	Pounds of Contained Tungsten
LCT.....	Long Calcined Ton
LDT.....	Long Dry Ton
LT.....	Long Ton
MT.....	Metric Ton
NDS.....	National Defense Stockpile
NSG.....	Non-Stockpile Grade
PC.....	Piece
S&CM.....	Strategic and Critical Materials
SDT.....	Short Dry Ton
ST.....	Short Ton
ST Be.....	Short tons of Contained Beryllium
ST Cr.....	Short tons of Contained Chromium
ST Mn.....	Short tons of Contained Manganese
ST V.....	Short tons of Contained Vanadium
Tr Oz.....	Troy Ounce



# APPENDIX F

---

## BIDDERS INFORMATION

---

### MAILING LISTS

Individuals or companies interested in buying from or selling to the Defense National Stockpile Center (DNSC) may request to be placed on a mailing list for the material(s) or services they wish to buy or sell. The request should contain the following information:

Name  
Title  
Company  
Mailing address  
Telephone  
Facsimile  
Materials or Services interested in:

Requests to be added to mailing lists should be sent to:

Defense National Stockpile Center  
ATTN: DNSC-P  
Suite 4616  
8725 John J. Kingman Road  
Fort Belvoir, VA 22060-6223

### SALES

Materials are offered for sale when they are excess to the goal and authorized for sale by the Congress and are listed on the current fiscal year's Annual Materials Plan. To the extent possible sales are conducted competitively. DNSC carefully monitors prices and other market conditions to ensure that sales do not unduly disrupt the market and that there is a fair return to the taxpayer. Individuals and companies on the mailing list for a material being sold automatically receive the necessary documents on which to submit an offer.

#### TYPES OF SALES

***Sealed Bid:*** An Invitation-for-Bids (IFB) containing all the terms and conditions of the sale is sent to all potential bidders. Bids are opened publicly and evaluated without discussions with bidders. Awards are made only to the responsive, responsible bidders whose bids conform to the IFB and are deemed advantageous to the Government.

***Negotiated:*** The solicitation does not predetermine all the terms and conditions of the final contract. Price and other terms are negotiable. Buyers make an initial offer and an award may be made without further discussions or the Government may negotiate terms. Where discussions have taken place, each offeror is asked to submit a "best and final offer," at which point discussions end. Offers are then evaluated and an award is made to the responsible offeror whose offer is considered most advantageous to the Government.

## **METHODS OF PAYMENT**

Payment for Stockpile materials is due prior to delivery unless other options are specified in a negotiated contract.

## **ACQUISITIONS (PURCHASES)**

To the extent possible, DNSC purchases materials and services competitively. In addition to contracts for the direct purchase of materials, DNSC may also award contracts to upgrade materials in the Stockpile to a form more suitable for storage, subsequent disposition, or immediate use. Solicitation documents contain specific information about planned purchases of individual materials or services. Notices of these solicitations are published in the Commerce Business Daily, trade publications, and daily wire services. Individuals and companies on the mailing lists for the materials or services being acquired will automatically receive new solicitations when they are issued. Those not on the mailing list may request the solicitations from DNSC. A review of program information can be found on the internet at <http://www.dnsc.dla.mil> or questions can be directed via [agricola@hq.dla.mil](mailto:agricola@hq.dla.mil).

Materials to be purchased or upgraded are placed on the Annual Materials Plan (See Chapter II). There are no plans to purchase new materials in Fiscal Year 1999. In addition to stockpile materials, DNSC also contracts for the purchase of construction, repair, maintenance, supplies, and non-personal services at the various Stockpile storage locations across the United States.

## **TYPES OF PROCUREMENTS**

***Sealed Bid:*** This is the method usually employed when the Government's requirements can be precisely described, when pre-award discussions are not necessary, when more than one bid is expected, and when award will be based on price and price-related factors. DNSC will issue an Invitation-for-Bids (IFB) describing the material or service being purchased and the specific procedures for submitting a bid. Bids are opened publicly and evaluated without discussions with bidders. Contracts are awarded to the responsible bidders whose bids conform to the terms of the IFB and are deemed advantageous to the Government.

***Negotiated:*** Negotiated procurements involve submission of initial proposals to the Government in response to a Solicitation for Offers for the particular material or service. This method permits discussions by the parties and allows the offeror to revise the initial proposal prior to the award of the contract. Negotiations can include discussions on price, delivery schedule, technical requirements, type of contract, or other terms of the proposal. Price is not necessarily the most important factor and awards may be made on other than price and price-related factors, for example, a superior technical approach.

## **METHODS OF PAYMENT**

The Contractor is paid by Government check or electronic funds transfer for materials or services received and accepted by DNSC.

## **ADDITIONAL INFORMATION**

Section 6(b) of the Strategic and Critical Materials Stock Piling Act (see Appendix A to this report) contains basic procedures for buying and selling Stockpile materials. The established Federal procurement practices referenced by this Act include the Federal Acquisition Regulations (FAR), the Defense Federal Acquisition Regulation Supplement (DFARS), and the Defense Logistics Acquisition Directive (DLAD).

# APPENDIX G

---

## SUBSCRIPTION SERVICES

---

### SUBSCRIPTIONS TO THIS REPORT

Members of the strategic and critical materials community in either the government or the private sector may receive a copy of the Strategic and Critical Materials Report to the Congress.

To begin or renew a subscription to this annual report, mail or fax your name, title, organization, mailing address, and ZIP code to us.

### Subscription Request

**Please Type or Print**

---

(Name)

---

(Title)

---

(Organization)

---

(Mailing Address)

---

(City, State, Zip Code)

---

(Country)

---

(Phone Number)

**Mail or FAX to:**

Defense National Stockpile Center  
Stockpile Report Subscriptions  
Attn: DNSC-SR, Suite 4616  
8725 John J. Kingman Road  
Fort Belvoir, VA 22060-6223  
FAX: 703-767-6528

**For Information, Contact:**

Kristin Guss: 703-767-6492

e-mail: [kristin\\_guss@hq.dla.mil](mailto:kristin_guss@hq.dla.mil)



**Defense Logistics Agency  
Defense National Stockpile Center  
8725 John J. Kingman Road  
Fort Belvoir, VA 22060-6223  
(703) 767-5500  
FAX (703) 767-5538**

<i>Administrator</i>	
<i>Richard J. Connelly</i>	767-5500
<i>Deputy Administrator</i>	
<i>Robert M. O'Brien</i>	767-5500
<i>Stockpile Contracts</i>	
<i>Cornel A. Holder, Director</i>	767-5476
<i>Strategic Materials Management</i>	
<i>Giles E. Lepage, Director</i>	767-7642
<i>Office of Counsel</i>	
<i>Essie A. Schloss, Counsel</i>	767-7648
<i>Management and Systems Support</i>	
<i>Peter Roman, Acting Director</i>	767-6526
<i>Planning and Market Research</i>	
<i>Peter C. Mory, Acting Director</i>	767-6485
<i>Office of Stockpile Reports</i>	
<i>John R. Babey, Acting Director</i>	767-5523
<i>DNSC Home Page:</i>	<a href="http://www.dnsc.dla.mil">http://www.dnsc.dla.mil</a>
<i>DNSC e-mail:</i>	agricola@hq.dla.mil